

EFFORTS OF GRACE, INC.
FINANCIAL AND COMPLIANCE AUDIT
TOGETHER WITH
INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED DECEMBER 31, 2010

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date

9/7/11

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Efforts of Grace, Inc.
New Orleans, Louisiana

We have audited the accompanying statement of financial position of the **Efforts of Grace, Inc. (EGI)** as of December 31, 2010, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of **EGI's** management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the **Efforts of Grace, Inc.** as of December 31, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITORS' REPORT
(CONTINUED)

To the Board of Directors
Efforts of Grace, Inc.
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In accordance with Government Auditing Standards, we have also issued our report dated, June 17, 2011 on our consideration of EGI's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Bruno & Tervalon LLP

BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS

June 17, 2011

EFFORTS OF GRACE, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2010

ASSETS

Cash	\$ 325,828
Accounts receivable	2,775
Prepaid expense	19,617
Property and equipment, net (NOTES 4 and 6)	4,063,380
Other assets	<u>2,992</u>
 Total assets	 <u><u>\$4,414,592</u></u>

LIABILITIES AND NET ASSETS

Liabilities:	
Accounts payable	\$ 1,109
Accrued liabilities	1,214
Security deposits	11,565
Notes payable (NOTES 4 and 6)	947,639
Due to Crescent City Community Land Trust (NOTE 9)	<u>75,000</u>
 Total liabilities	 <u>1,036,527</u>
Net Assets:	
Unrestricted net assets	<u>3,378,065</u>
 Total liabilities and net assets	 <u><u>\$4,414,592</u></u>

The accompanying notes are an integral part of these financial statements.

EFFORTS OF GRACE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010

Revenues:

Grant revenue - State and local	\$ 10,000
Grant revenue - corporate and business	51,750
Grant revenue - foundations and trusts	894,369
Event revenue	80,354
Contributions	58,908
Rental income	139,846
Ticket sales	62,963
Other income	<u>47,206</u>

Total revenues	<u>1,345,396</u>
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Expenses:

Program services	989,586
Management and general	<u>487,385</u>

Total expenses	<u>1,476,971</u>
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Change in net assets	<u>(131,575)</u>
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Net assets - beginning of year	<u>3,509,640</u>
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Net assets - end of year	<u>\$3,378,065</u>
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The accompanying notes are an integral part of these financial statements.

EFFORTS OF GRACE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Management and General</u>	<u>Program Services</u>	<u>Total</u>
Salaries and benefits	\$ 97,371	\$292,712	\$ 390,083
Insurance (general)	27,057	30,436	57,493
Equipment rental	6,343	6,343	12,686
Catering	16,841	11,227	28,068
Advertising	-0-	15,826	15,826
Equipment repairs	16,450	24,675	41,125
Bank fees	8,761	-0-	8,761
Depreciation expense	84,177	58,497	142,674
Dues and subscriptions	4,900	10,707	15,607
Interest expense	16,461	16,461	32,922
Grant expense	1,000	15,690	16,690
Other expenses	6,060	11,255	17,315
Auto expense	1,574	2,923	4,497
Decor expense	3,416	6,344	9,760
Postage and printing	709	1,316	2,025
Security expense	1,506	2,796	4,302
Donations	921	1,711	2,632
Office supplies	10,614	31,843	42,457
Events	-0-	30,730	30,730
Telephone	6,073	9,109	15,182
Travel	17,601	12,202	29,803
Printing and reproduction	-0-	13,410	13,410
Professional services	100,570	336,690	437,260
Occupancy	<u>58,980</u>	<u>46,683</u>	<u>105,663</u>
Total expenses	<u>\$487,385</u>	<u>\$989,586</u>	<u>\$1,476,971</u>

The accompanying notes are an integral part of these financial statements.

EFFORTS OF GRACE, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2010

CASH FLOWS FROM OPERATING ACTIVITIES

Changes in net assets	\$ (131,575)
Adjustments to reconcile change in net assets to net assets provided by operating activities:	
Depreciation	142,674
Decrease in grant receivable	49,400
Increase in prepaid assets	(2,493)
Increase in other assets	(2,992)
Increase in accrued liabilities	1,214
Increase in accounts payable	272
Increase in other liabilities	75,000
Increase in security deposits	<u>6,015</u>
Net cash provided by operating activities	<u>137,515</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from borrowings	850,000
Payments on notes payable	<u>(1,001,461)</u>
Net cash used in financing activities	<u>(151,461)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of fixed assets	<u>(45,684)</u>
Net cash used in investing activities	<u>(45,684)</u>
Net decrease in cash and cash equivalents	<u>(59,630)</u>
Cash - January 1, 2010	<u>385,458</u>
Cash - December 31, 2010	\$ <u><u>325,828</u></u>
Interest paid	\$ <u><u>32,922</u></u>

The accompanying notes are an integral part of these financial statements.

EFFORTS OF GRACE, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - NATURE OF OPERATION:

The **Efforts of Grace, Inc. (EGI)** was organized exclusively for religious, charitable and educational purposes. One of the most visible aspects of **EGI** is the operation of Ashé Cultural Arts Center (Ashé). Ashé was created in 1993 for the purposes of producing, creating and encouraging art, images and performances by and about African-Americans that emphasize their powerful contributions to the welfare of the community.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A) Principles of Accounting

EGI is a non-profit community based organization whose financial statements are prepared on the accrual basis and in accordance with accounting principles generally accepted in the United States of America. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those statements.

B) Basis of Reporting

In accordance with the provisions of FASB Accounting Standards Codification 958, *Not-for-Profit Entities*, which establishes standards for external financial reporting by not-for-profit organizations, **EGI** classifies resources for accounting and reporting purposes into three net asset categories which are unrestricted, temporarily restricted and permanently restricted net assets according to externally (donor) imposed restricted.

EFFORTS OF GRACE, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

B) Basis of Reporting, Continued

A description of the three net asset categories is as follows:

- o Unrestricted net assets include contributions not subject to donor-imposed stipulations. The revenues received and expenses incurred in conducting the mission of EGI are included in this category. EGI has determined that any donor-imposed restrictions current or developing programs and activities are generally met within the operating cycle of EGI and, therefore, EGI's policy is to record these assets as unrestricted.
- o Temporarily restricted net assets include realized gains and losses, investment income, gifts and contributions for which donor-imposed restrictions have not been met.
- o Permanently restricted net assets are contributions stipulated by the donor-imposed restriction to be invested in perpetuity and only the income be made available for program operation in accordance with the donor restrictions. Such income is reflected in temporarily restricted net assets until utilized for donor-imposed restrictions.

At December 31, 2010, EGI did not have any temporarily restricted or permanently restricted net assets.

C) Property and Equipment

Property and equipment are recorded at cost, if purchased, or at fair market value at the date of the gift, if donated. Additions, improvements and expenditures that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

EFFORTS OF GRACE, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

Depreciation of buildings, automobiles, furniture, fixtures and equipment is computed as follows:

<u>Description</u>	<u>Method</u>	<u>Estimated Useful Life (years)</u>
Furniture and equipment	Straight-line	3 to 7
Buildings	Straight-line	30
Automobiles	Straight-line	5

D) Support and Revenues

Revenues received under government grant programs are recognized when earned.

Contributions are considered to be available for unrestricted use unless specifically restricted by donors.

E) Functional Allocation of Expenses

The costs of providing various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among programs and supporting services benefitted.

F) Income Taxes

EGI is a non-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes. Therefore, no provision for income taxes is made in the accompanying financial statements. Should **EGI's** tax-exempt status be challenged in the future, **EGI's** 2008, 2009 and 2010 tax years are open for examination by the IRS.

EFFORTS OF GRACE, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

G) Date of Management's Review of Subsequent Events

Management has evaluated subsequent events through June 17, 2011, the date which the financial statements were available to be issued, and noted no subsequent events or transactions that occurred after the statement of financial position date requiring or disclosure.

H) Advertising Costs

EGI uses advertising to promote its programs among the audiences it serves. Advertising expense for the year ended June 30, 2010 was \$15,862, respectively.

NOTE 3 ECONOMIC DEPENDENCY:

The primary sources of revenues for EGI are grants and contributions provided through various funding agencies. The continued success of EGI is dependent upon the renewal of grants and contributions from current funding sources as well as obtaining new funding.

EFFORTS OF GRACE, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 4 - NOTES PAYABLE:

A summary of notes payable as of December 31, 2010 is as follows:

Note payable to a mortgage corporation bears interest at 9% and consists of monthly payments of interest and principal over a 120 month period. The note matures August 29, 2017, at which time a balloon principal payment and accrued interest are due. The loan is secured by real estate. \$ 51,665

Note payable to a mortgage corporation bears interest at 6.5% and consists of monthly payments of interest and principal over a 84 month period. The note matures August 11, 2017, at which time a balloon principal payment and accrued interest are due. The loan is secured by real estate. 50,776

Note payable to Bank bears a variable interest rate, the rate at December 31, 2010 was 4.51%. The note requires monthly payments of interest and principal over a 60 month period. The note matures on November 5, 2015, at which time a balloon principal payment and accrued interest are due. The loan is secured by real estate. 845,198

Total notes payable \$947,639

Following are schedule maturities of notes payable for each of the next five (5) years:

<u>Year Ending December 31,</u>	<u>Amount</u>
2011	\$ 65,788
2012	66,503
2013	112,706
2014	65,762
2015	623,603
Thereafter	<u>13,277</u>
	<u>\$947,639</u>

EFFORTS OF GRACE, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 5 - COMMITMENTS AND CONTINGENCIES:

EGI has entered into contractual arrangements with certain individuals to provide operational assistance, tutorial, self-development and recreational assistance. Such contracts are generally for six (6) to twelve (12) month periods.

EGI is a recipient of grants from state and local government funds. These grants are governed by various state and local government guidelines, regulations and contractual agreements. Also, EGI is a recipient of grants from private foundations and nonprofit organizations.

The administration of the programs and activities funded by these grants is under the control and administration of EGI and is subject to audit and/or review by the applicable funding sources. Any grant or award funds found not to be properly spent in accordance with the terms, conditions and regulations of the funding sources may be subject to recapture.

NOTE 6 - PROPERTY AND EQUIPMENT:

As of December 31, 2010, such assets and related depreciation consist of the following:

	Balance at <u>December 31, 2009</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>December 31, 2010</u>
Land	\$ 60,000	\$ -0-	\$-0-	\$ 60,000
Building	4,210,628	45,000	-0-	4,255,628
Automobiles	2,500	-0-	-0-	2,500
Furniture and equipment	<u>8,169</u>	<u>684</u>	<u>-0-</u>	<u>8,853</u>
	4,281,297	45,684	-0-	4,326,981
Less: accumulate depreciation	<u>(120,927)</u>	<u>(142,674)</u>	<u>-0-</u>	<u>(263,601)</u>
Total	<u>\$4,160,370</u>	<u>\$ (96,990)</u>	<u>\$-0-</u>	<u>\$4,063,380</u>

Also see NOTE 3.

EFFORTS OF GRACE, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 7 - RISK MANAGEMENT:

EGI is exposed to various risk of loss related to torts, theft, or damages to and destruction of assets for which EGI is insured under commercial insurance. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

NOTE 8 - CONCENTRATION OF CREDIT RISK:

EGI maintains cash balances at local banks. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2010 EGI had no uninsured cash balances.

NOTE 9 - DUE TO CRESCENT CITY COMMUNITY LAND TRUST:

During 2010, EGI acted as an intermediary helping donors make contributions to its affiliate, Crescent City Community Land Trust (CCCLT), while this entity worked on achieving its 501(c)(3) status. EGI did not record contributions when they received the assets, nor did they make contributions or record expenses when they disbursed the assets to or for CCCLT.

At December 31, 2010 funds held for CCCLT totaled \$75,000.



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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Efforts of Grace, Inc.
New Orleans, Louisiana

We have audited the financial statements of the **Efforts of Grace, Inc. (EGI)** (a nonprofit organization) as of and for the year ended December 31, 2010, and have issued our report thereon dated June 17, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered **EGI's** internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **EGI's** internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of **EGI's** internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

(CONTINUED)

Internal Control Over Financial Reporting, Continued

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **EIG's** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

(CONTINUED)

This report is intended solely for the information and use of the Board of Directors, management, the Louisiana Legislative Auditor, and state awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS

June 17, 2011

EFFORTS OF GRACE, INC.
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2010

Section I - Summary of Auditors Results

- A. The type of report issued on the financial statements: **unqualified opinion.**
- B. Significant deficiencies in internal control were disclosed by the audit of the financial statements: **no.** material weaknesses: **no.**
- C. Noncompliance which is material to the financial statements: **no.**
- D. Significant deficiencies in internal control over major programs: **not applicable**
material weaknesses: **not applicable.**
- E. The type of report issued on compliance for major programs: **not applicable.**
- F. Any audit findings which are required to be reported under section 510(a) of OMB Circular A-133: **not applicable.**
- G. Major programs: **not applicable.**
- H. Dollar threshold used to distinguish between Type A and Type B programs:
not applicable.
- I. Auditee qualified as a low-risk auditee under section 530 of OMB Circular A-133:
not applicable.
- J. A management letter was issued: **no.**

EFFORTS OF GRACE, INC.
SCHEDULE OF FINDINGS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2010

Section II - Internal Control and Compliance
Material to the Financial Statements

Not applicable.

Section III - Internal Control and Compliance
Material to Federal Awards

Not applicable.

EFFORTS OF GRACE, INC.
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2010

Section I - **Internal Control and Compliance
Material to the Financial Statements**

No matters reported.

Section II - **Internal Control and Compliance Material to Federal Awards**

Not applicable.

Section III - **Management Letter**

No matters reported.

EFFORTS OF GRACE, INC.

EXIT CONFERENCE

An exit conference was held on June 30, 2011. The following persons were in attendance:

EFFORTS OF GRACE, INC.

Ms. Carol Bebelle	--	Executive Director
Mr. Victor Robinson, CPA	--	Accountant

BRUNO & TERVALON LLP, CERTIFIED PUBLIC ACCOUNTANTS

Mr. Alcide J. Tervalon, Jr., CPA	--	Partner
Mr. Armand Pinkney	--	Manager
Mr. Alcide J. Tervalon , III, MBA	--	Senior Accountant